

1 The opinion in support of the decision being entered today was *not* written
2 for publication and is *not* binding precedent of the Board
3

4 UNITED STATES PATENT AND TRADEMARK OFFICE
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6
7 BEFORE THE BOARD OF PATENT APPEALS
8 AND INTERFERENCES
9

10
11 *Ex parte* ROBERT CADOUX
12

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14 Appeal 2006-3216
15 Application 09/491,388
16 Technology Center 3600
17

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19 Decided: May 1, 2007
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22 *Before:* STUART S. LEVY, ROBERT E. NAPPI, and
23 ANTON W. FETTING, *Administrative Patent Judges.*
24

25 LEVY, *Administrative Patent Judge.*
26

27
28 DECISION ON APPEAL
29

30 STATEMENT OF CASE

31 Appellant appeals under 35 U.S.C. § 134 (2002) from a final rejection
32 of claims 27-39. We have jurisdiction under 35 U.S.C. § 6(b) (2002).

33 Appellant invented a method of offering stock. (Specification 4). One
34 embodiment of the method includes offering a first portion of shares of the
35 stock at a first price and offering a second portion of the stock at a second
36 price after a first trading interval of a first predetermined time period after

1 the offering of the first portion of the shares. (*Id.*). The invention reduces
2 the amount of money left on the table by an offering company.
3 (Specification 5).

4 Claim 27, the only independent claim under appeal reads as follows:

5 27. A method for offering shares of stock of a privately-held
6 company in an initial public offering, comprising:

7
8 disclosing, prior to the offering, the number of shares to
9 be offered in the offering, that the offering will occur in two or
10 more successive offering stages, the number of shares to be
11 offered in each offering stage, the amount of time between
12 successive offering stages, and pricing information for the
13 shares to be offered in each offering stage;

14
15 offering a first portion of the shares of the stock of the
16 offering in a first offering stage to investors; and

17
18 offering the remainder of the shares of the offering to
19 investors in separate portions over the subsequent one or more
20 offering stages,

21
22 wherein at least some communications regarding the
23 offering of the shares over the offering stages are made via a
24 computer network.
25

26 The Examiner rejected claims under 35 U.S.C. § 103(a) (2004) as
27 being unpatentable over Macklin in view of Appellant's admitted prior art.¹
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¹ The rejection of claims 27-39 under 35 U.S.C. § 101 has been withdrawn by the Examiner. (Answer 13).

1 The prior art relied upon by the Examiner in rejecting the claims on
2 appeal is:

3 Macklin, Gordon S. "Going Public and the NASDAQ Market", The
4 NASDAQ Handbook-1992 edition.

5
6 Appellant's admitted prior art -Specification pp. 3-4.

7
8 In addition, we make the following prior art of record:

9
10 Lyric Energy, Inc., Form 8K, Securities and Exchange Commission, April
11 10, 1997²
12

13 Appellant contends that the claimed subject matter would not have
14 been obvious. More specifically, Appellant contends that the Office should
15 be estopped from relying on Macklin as a basis for an obviousness rejection
16 since Appellant once before appealed an obviousness rejection based on
17 Macklin and the Office withdrew the rejection in view of Appellant's appeal
18 brief. Appellant contends that it is fundamentally unfair and prejudicial for
19 the Office to reinstate the rejection, and that the rejection violates MPEP
20 § 1208.02 and 706.04. (Amended Br.: hearinafter Br. 15). Appellant
21 contends that the rejection is based on impermissible hindsight and that
22 important differences between Macklin and the claims are evidence of non-
23 obviousness. Appellant additionally contends that the Office is incorrect in
24 stating that a company would be inherently capable of submitting the
25 paperwork for initial and subsequent offerings at the same time because
26 there is no way for the company to know what material events will occur
27 between the IPO and subsequent offerings in the Macklin seasoning strategy.

² <http://www.secinfo.com/duHsb.829.htm>

The Examiner contends that Macklin does not directly show "disclosing, prior to the offering, the number of shares to be offered in the offering, that the offering will occur in two or more successive offering stages, the number of shares to be offered in each offering stage, the amount of time between successive offering stages, and pricing information for the shares to be offered in each offering stage." (Answer 5). The Examiner asserts that Macklin suggests these features by suggesting that "companies do offer small Initial Public Offering with the pre-intention of later selling a larger secondary offering" and that the Admitted prior art teaches that "the share price for a secondary offering is contingent upon prior trading, and cannot be established by other pricing models such as the Dutch auction method." (*Id.*). The Examiner contends that "a company that used the seasoning strategy of Macklin would have been inherently capable of submitting the paperwork for the initial and subsequent offerings at the same time to federal security regulators," and that the company would have been motivated to be up front about their initial intentions to use the "seasoning strategy" in an effort to avoid possible share holder investor law suits. (Answer 6).

We reverse.

ISSUE

Has Appellant shown that the Examiner erred in holding that the teachings and suggestions of Macklin and the Admitted prior art would have suggested "disclosing, prior to the offering, the number of shares to be offered in the offering, that the offering will occur in two or more successive

1 offering stages, the number of shares to be offered in each offering stage, the
2 amount of time between successive offering stages, and pricing information
3 for the shares to be offered in each offering stage" as required by
4 independent claim 27? The issue turns on Whether Macklin's "seasoning
5 strategy" or the admitted prior art would have suggested these limitations.

6
7 FINDINGS OF FACT

8 We find that the following enumerated findings are supported
9 by at least a preponderance of the evidence. *Ethicon, Inc. v. Quigg*, 849
10 F.2d 1422, 1427, 7 USPQ2d 1152, 1156 (Fed. Cir. 1988) (explaining the
11 general evidentiary standard for proceedings before the Office).

- 12 1. Appellant invented a method of offering stock.
13 (Specification 4).
- 14 2. One embodiment of the method includes offering a first
15 portion of shares of the stock at a first price and offering a
16 second portion of the stock at a second price after a first
17 trading interval of a first predetermined time period after
18 the offering of the first portion of the shares. (*Id.*). The
19 invention reduces the amount of money left on the table by
20 an offering company. (Specification 5).
- 21
22 3. The Background of the Invention discloses that "[r]ather, the
23 share price for a secondary offering is contingent upon prior
24 trading, and cannot be established by other pricing models
25 such as the Dutch auction method." (Specification 3).
- 26

1 4. Appellants do not deny that the statement in fact 3 is
2 Admitted Prior Art.

3
4 5. Macklin discloses that through an initial public offering
5 (IPO), a company can raise a significant amount of capital
6 and also have substantial latitude where to channel the
7 funds. (Macklin, p. 100).

8
9 6. Ongoing market conditions can dramatically influence the
10 IPO evaluation. (Macklin, p. 102).

11
12 7. Many companies have successfully pursued a "seasoning
13 strategy," which involves a small IPO and, sometime
14 afterward, a larger follow-on offering. This strategy can be
15 particularly effective when the company's IPO valuation is
16 under pressure because of difficult market conditions or
17 because the company is not well known and is perceived as
18 higher risk. The company can structure a small IPO at a
19 conservative valuation and allow the stock to become better
20 known in the investment community. As the stock prices
21 appreciate due to improving market conditions or as the
22 company builds credibility with investors, the company can
23 structure a larger follow-on offering at a higher valuation.
24 (Macklin p. 103).

1 8. During the IPO process, the investment bankers will
2 frequently refine their valuation analysis to incorporate the
3 constantly changing business conditions and stock market
4 environment. (Macklin p. 105).

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7
8 PRINCIPLES OF LAW

9 On appeal, Appellant bears the burden of showing that the Examiner
10 has not established a legally sufficient basis for combining the teachings of
11 the applied prior art. Appellant may sustain this burden by showing that,
12 where the Examiner relies on a combination of disclosures, the Examiner
13 failed to provide sufficient evidence to show that one having ordinary skill
14 in the art would have done what Appellant did. *United States v. Adams*, 383
15 U.S. 39 (1966); *In re Kahn*, 441 F.3d 977, 987-988, 78 USPQ2d 1329, 1336
16 (Fed. Cir. 2006); *DyStar Textilfarben GmbH & Co. Deutschland KG v. C.H.*
17 *Patrick, Co.*, 464 F.3d 1356, 1360-1361, 80 USPQ2d 1641, 1645 (Fed. Cir.
18 2006). The mere fact that all the claimed elements or steps appear in the
19 prior art is not per se sufficient to establish that it would have been obvious
20 to combine those elements. *United States v. Adams, id*; *Smith Industries*
21 *Medical Systems, Inc. v. Vital Signs, Inc.*, 183 F.3d 1347, 1356, 51 USPQ2d
22 1415, 1420 (Fed. Cir. 1999).

23 The Federal Circuit states that "[the] mere fact that the prior art may
24 be modified in the manner suggested by the Examiner does not make the
25 modification obvious unless the prior art suggested the desirability of the
26 modification." *In re Fritch*, 972 F.2d 1260, 1266 n.14, 23 USPQ2d 1780,

1 1783-84 n.14 (Fed. Cir. 1992), citing *In re Gordon*, 773 F.2d 900, 902, 221
2 USPQ 1125, 1127 (Fed. Cir. 1984). "Obviousness may not be established
3 using hindsight or in view of the teachings or suggestions of the inventor."
4 *Para-Ordnance Mfg. V. SGS Importers Intl*, 73 F.3d 1087, 37 USPQ 2d at
5 1239 (Fed. Cir. 1995), citing *W. L. Gore & Assocs., v. Garlock, Inc.*, 721
6 F.2d at 1551, 1553, 220 USPQ at 311, 312-13 (Fed. Cir. 1983).

7
8 ANALYSIS

9 As the outset, we address the assertion by Appellant (Br. 14) that the
10 Office should be estopped from reliance on Macklin, after dropping the
11 rejection over Macklin at an earlier date. We are not persuaded by
12 Appellant's argument for two reasons. The first is that it is within the
13 discretion of the Examiner to decide what rejections to make against claims
14 prosecuted before the PTO. Secondly, if Appellant believed that the
15 Examiner's action was inappropriate for procedural reasons, Appellant's
16 recourse was to file a petition under 37 C.F.R § 1.181 within two months of
17 the Examiner's action. Because the record does not reflect any petition
18 being filed, the matter is moot.

19 Turning to the merits of the rejection over Macklin in view of the
20 Admitted prior art, we note that Macklin's seasoning strategy refers to an
21 earlier IPO followed by a later IPO. We find no teaching or suggestion in
22 Macklin for disclosing, prior to the offering, the number of shares to be
23 offered in the offering, that the offering will occur in two or more successive
24 offering stages, the number of shares to be offered in each offering stage, the
25 amount of time between successive offering stages, and pricing information
26 for the shares to be offered in each offering stage, as recited in claim 27.

1 We are not persuaded by the Examiner's assertions that it would have
2 been an obvious intended use of the seasoning strategy because there is
3 nothing in the seasoning strategy that would have suggested to an artisan the
4 disclosing, prior to the offering, the terms and conditions of the offerings. In
5 addition, we are not persuaded by the Examiner's assertion (Answer 6) that
6 a company would have been inherently capable of submitting the paperwork
7 for the initial and subsequent offerings at the same time because inherency
8 cannot be established by possibilities or probabilities, but must necessarily
9 flow from the teachings of the prior art. Even if a company wanted to be up
10 front about their intention to use a seasoning strategy, as advanced by the
11 Examiner (*id.*), we find no suggestion that being up front about using a
12 seasoning strategy would result in disclosing all of the information about the
13 terms and conditions, including the price of the subsequent offering, before
14 the first offering. Moreover, the Examiner's quote from the Admitted prior
15 art that "the share price for a secondary offering is contingent upon prior
16 trading" does not suggest disclosing the price of a subsequent offering prior
17 to the first offering, but rather would have suggested waiting until after the
18 initial offering to determine the price per share for the subsequent offering.

19 Moreover, although we find from fact 8 that During the IPO process,
20 the investment bankers will frequently refine their valuation analysis to
21 incorporate the constantly changing business conditions and stock market
22 environment, we find that this disclosure of Macklin describes refining
23 valuation for an IPO prior to the initial offering. From all of the above, we
24 agree with Appellant that the Examiner has resorted to hindsight in an

1 attempt to meet the language of claim 27. It follows that we cannot sustain
2 the rejection of claims 27-39.

3
4 CONCLUSION OF LAW

5 On the record before us, Appellant has shown that the teachings and
6 suggestions of Macklin and the Admitted prior art would not have suggested
7 the language of claims 27-39.

8
9 OBSERVATIONS AND REMARKS

10 The Examiner should consider the issues regarding patentability
11 raised by the Form 8K (Item 2 - Acquisition or Disposition of Assets)
12 submitted by Lyric Energy, Inc. on April 10, 1997, in which a plan for
13 issuance of shares in two stages with the pricing, in terms of shares to be
14 exchanged are set forth for each of the stages, and the timing of each of the
15 two stages, is disclosed prior to the dual stage offering in an electronic
16 document posted on the SEC web site.

17
18 DECISION

19 The Examiner's rejection of claims 27-39 is Reversed.

20
21 REVERSED

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27 vsh

Appeal 2006-3216
Application 09/491,388

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